

SMART Plan update

FALL 2008 VOL 5, NO 3

EDUCATE

YOUR 457 DEFERRED COMPENSATION PLAN NEWSLETTER

FOR MORE INFORMATION: GO TO WWW.MASS-SMART.COM

Keep Your Cool

Try not to invest emotionally

It's OK to get emotional watching a weepy movie, but you should try not to get emotional about the money you've invested for retirement. No matter what happens in the financial markets, don't let fear deter you from your long-term strategy. Instead, try to stay calm, and make investment decisions based on reason and facts.

Stay Focused Through Market Swings

It might seem logical to give in to your fears and sell when the stock market is falling. But you may be surprised to learn that the opposite reaction—i.e., gritting your teeth and staying invested—tends to produce good results. Think of it this way: The market may be falling now, but it's unlikely to fall forever.

In fact, history shows that since 1942 the market has racked up more good years than bad.¹ If you're not invested when the turnaround comes, those potential gains will pass you by.

Let Reason Be Your Guide

So, how do you invest with your head and not your heart? Have a plan.



Divide your assets according to your need for growth and the degree of risk with which you're comfortable. (For specific guidelines, see "Life Stage Investing" on page 2.) Then stick with that strategy.

Be realistic about stock market behavior. Past performance is never a guarantee or prediction of future results; however, from January 1, 1954, through December 31, 2007, stocks (as measured by the S&P 500^(B2)) have returned an average of 10.4% a year.¹ Don't let fear make you forget that, historically, the occasional bad year has usually been followed by several good years. In fact, the years when the market made great gains have usually been followed by years when it hardly gained at all or even fell.¹ If you remain focused on the long term, you can build a portfolio that may potentially withstand the market's inevitable swings.



A LETTER FROM
TREASURER TIMOTHY P. CAHILL

Dear SMART Plan Participant,

The extraordinary events taking place in the market are testing the confidence of investors worldwide. Times like these reinforce the need to develop an investment strategy that considers your savings goal, time horizon and your true tolerance for volatility. Please read the articles in this newsletter to learn more about the importance of having a plan when it comes to investing for retirement.

Remember that you don't need to plan for retirement alone. Schedule a consultation with your local registered representative to learn more about diversification tools the SMART Plan offers.³ Contact information for your local representative is on the back page of this newsletter.

Having an investment strategy that fits your personal situation can help you have the confidence to keep your plan on track through the market's ups and downs. And as you continue to strive for your goal of a secure retirement, rest assured that we will continue to do all that we can to help you achieve it.

Sincerely,

TIMOTHY P. CAHILL
SMART PLAN PARTICIPANT
STATE TREASURER &
RECEIVER GENERAL

Life Stage Investing

Age-based strategies for retirement savers

Because you're likely to need substantial savings to maintain your lifestyle in retirement, it's natural to want your portfolio to grow. Typically, financial professionals suggest stock funds for growth—but recent market fluctuations have made many investors seek the relative stability of bond funds and cash equivalents. This strategy is a form of market timing, a risky and often unsuccessful investing practice that involves jumping into and out of the financial markets according to short-term swings.

Instead of trying to time the financial markets, try to practice age-appropriate investing. You'd likely take the biggest risks when you're young and have years to make up for possible losses.

You'd probably take fewer risks when you're older and retirement is looming; losses might cut into your retirement nest egg just when you need it and you wouldn't have the time to wait for a market rebound.

That said, you'll always want to keep your savings growing. Although stock funds tend to be more risky than bond funds or cash equivalents, they have historically offered the most potential for long-term growth.¹ Consider the following age-based guidelines to help you determine how to allocate your plan contributions.



In Your 20s and 30s⁴

You probably have competing demands on your income, such as mortgage and car payments or child-care expenses. Consider boosting your contribution rate by a small percentage each year. You have years to recover from any potential short-term market swings, so consider investing the majority of your contributions (80% or more) in stock funds and the rest in bond funds and cash equivalents.



In Your 40s⁴

By now, your children may be about to enter college. Remember that there are loans, grants, scholarships and other financial aid options available to your kids—but only you can fund your retirement. Continue to save as much as you can. In 2008, you can save as much as \$15,500 in the SMART Plan. Growth is still important, but it may now be appropriate for you to direct a portion of your contributions (no more than 30%) to less risky investments, such as bond funds or cash equivalents.



In Your 50s⁵

These could be your peak earning years, so try to make them your peak savings years, too. In many cases, you would now be eligible to make catch-up contributions to the SMART Plan. Save as much as you can afford to save. However, because retirement is fast approaching, you may want to consider keeping 60% of your savings in stock funds and the rest in bond funds and cash equivalents.

Required Minimum Distributions

What you need to know at age 70½ if you are no longer working

Once you reach age 70½ and you have retired from your employer sponsoring the SMART Plan, you will need to begin withdrawing at least a minimum amount, known as a required minimum distribution (RMD), from your SMART Plan account annually.

You can always withdraw more than the required minimum amount in any year. However, if you don't take your annual minimum taxable withdrawals, you could be subject to a 50% penalty by the Internal Revenue Service on the amount that should have been withdrawn.

Getting Started

If our records indicated that you may be required to take an RMD, a letter detailing the required dollar amount, as well as the timing of your RMD payment, was mailed to your home in September. Also included in this mailing was information regarding deadlines and distribution options.

It is important to note that an RMD distribution, if required, will not be processed without your response to this letter, despite any previous arrangements made with the prior recordkeeper, ING. To ensure your RMD is processed in 2008, please respond to the letter you received by October 29, 2008.

If you have questions or need help with your RMD, call the SMART Plan Service Center at (877) 457-1900 and press 0. Customer service representatives are available to assist you Monday through Friday from 9:00 a.m. to 8:00 p.m. ET.

Invest in One Simple Step ... at Any Age⁴

You want a comfortable retirement, but making investment decisions can be challenging—especially if you have little time or investing experience. That's why the SMART Plan offers SMARTPath Retirement FundsSM, diversified asset allocation portfolios⁵ designed for people who want to leave ongoing investment decisions to an experienced portfolio management team.

There are 11 SMARTPath Retirement Funds to choose from based on your age and your expected retirement date, ranging from SMARTPath 2000 to 2050.

Funds with dates furthest in the future have a higher concentration of stocks. As the retirement date of the fund gets closer, and continuing for 15 years past that date, professional fund managers gradually adjust the fund to include bond and short-term investments.

By the time you move into retirement, your fund will be invested in an appropriate mixture of stock, bond and short-term investments focused on preserving your money and producing income. This change will happen automatically—you don't have to do a thing!

To learn more:



Call your local representative at (877) 457-1900 (option 2)



View a two-minute video presentation at www.mass-smart.com > Invest

To invest in the SMARTPath Retirement Funds:



Call the SMART Plan Service Center at (877) 457-1900 (option 0)



Go to www.mass-smart.com > Account Access > Manage Investments

Join Us for "SMART Retirement & Beyond"

Join us for "SMART Retirement & Beyond," a retirement planning seminar series for Massachusetts state employees, sponsored by State Treasurer Tim Cahill, the State Board of Retirement and the SMART Plan.

This seminar series is designed to provide you with the information and tools needed to help you achieve a financially secure retirement. Representatives from the Group Insurance Commission and the Social Security Administration will be on hand to answer questions.

Date	Time	City	Agency
October 30	6-8 p.m.	Worcester	Quinsigamond Community College
November 6	6-8 p.m.	Bedford	Middlesex Community College
November 20	6-8 p.m.	Pittsfield	Berkshire Community College
January 6	6-8 p.m.	Framingham	Framingham State College
January 29	6-8 p.m.	Boston	Massachusetts State House

Register today at www.mass-smart.com > Educate > Educational Seminars. Additional seminars will be scheduled in 2009. Watch for details!

GOT QUESTIONS? NEED ANSWERS?

SMART Plan Customer Service Center⁶

Call us today at **(877) 457-1900!**
Available Monday through Friday
from 9:00 a.m. to 8:00 p.m. ET

Regional Service Center Waltham

255 Bear Hill Rd.
Waltham, MA 02451
Available Monday through Friday
from 9:00 a.m. to 5:00 p.m.

Boston

One Ashburton Place, 12th Floor
Boston, MA 02108
Available Monday through Friday
from 9:00 a.m. to 5:00 p.m.

Boston

31 St. James Avenue, Suite 810
Boston, MA 02116
Available by appointment

Springfield

436 Dwight Street, Room 109
Springfield, MA 01103
Available Monday,
Wednesday and Friday
from 9:00 a.m. to 5:00 p.m.

Worcester

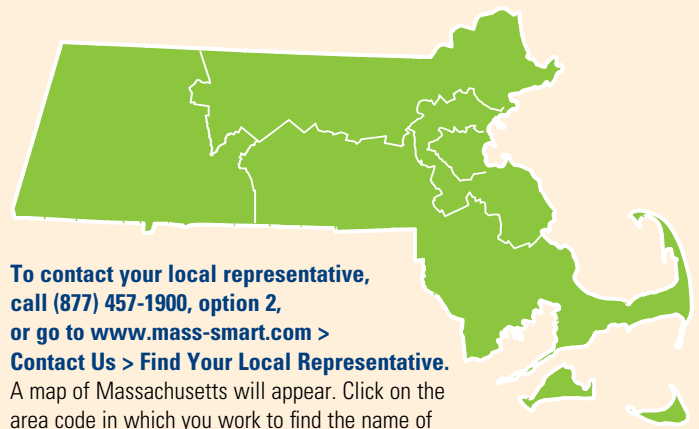
2 Chestnut Place/22 Elm Street
Worcester, MA 01608
Available Monday and Thursday
from 9:00 a.m. to 5:00 p.m.
Tuesday, Wednesday and Friday
from 9:00 a.m. to 3:00 p.m.

Framingham

945 Concord Street
Framingham, MA 01701
Available by appointment

Quincy

859 Willard Street
Quincy, MA 02169
Available by appointment



To contact your local representative,
call **(877) 457-1900, option 2,**
or go to www.mass-smart.com >
Contact Us > Find Your Local Representative.

A map of Massachusetts will appear. Click on the
area code in which you work to find the name of
your local representative.

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1 Ibbotson Associates, a subsidiary of Morningstar, Inc., 2008.

2 "S&P 500[®]" is a trademark of The McGraw-Hill Companies, Inc.

3 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

4 FOR ILLUSTRATIVE PURPOSES ONLY. Intended to illustrate possible investment portfolio allocations that represent an investment strategy based on risk and return. This is not intended as financial planning or investment advice. Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

5 Diversification of an investment portfolio does not assure a profit and does not protect against loss in declining markets.

6 Access to the SMART Plan Service Center and Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

Core securities, when offered, are offered through GWFS Equities, Inc.

GWFS Equities, Inc., or one or more of its affiliates, may receive a fee from the investment option provider for providing certain recordkeeping, distribution and administrative services. Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed. Great-West Retirement Services[®] refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Great-West Retirement Services[®] is a registered service mark of Great-West Life & Annuity Insurance Company. All rights reserved.

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